

**FRANCHISE TAX BOARD
MINUTES
JUNE 15, 2005 MEETING**

The Franchise Tax Board met in open session at 10:00 a.m. at the State Board of Equalization, 450 N Street, Hearing Room 121, Sacramento, California. Present were Hon. Steve Westly, Hon. John Chiang, and Hon. Tom Campbell.

Franchise Tax Board

Staff Participating: Gerald H. Goldberg, John W. Davies, Donald L. Buxton, Brian Putler, Anne Miller, Cathy Cleek, Craig Swieso, Ben Miller, Lynette Iwafuchi, Frank Lanza, Phil Spilberg, and Claudette Romo.

Others Participating: Chris Micheli, California Strategies & Advocacy; Lenny Goldberg, California Tax Reform Associates; Gina Rodriquez, Spidell Publishing; Jeffrey Vesely, Pillsbury, Winthrop, Shaw & Pittman, LLP; Barry Weissman, PricewaterhouseCoopers LLP; Teresa Casazza, California Taxpayers Association; Katherine Hatch, American Electronics Association; Katherine Hahn, Corporate Affairs, Intuit, Inc.; Scott Baugh, Mayer, Brown, Rowe and Maw; Steven Chin, Hewlett-Packard Company; Prof. Joseph Bankman, Stanford Law School; C.C. Chen, eSMARTTax; and Timur Taluy, FilesYourTaxes.com.

Following announcement of Closed Session agenda Item B (Personnel Matters) by Chair Westly, the Board met in Closed Session with respect to that item pursuant to Government Code section 11126. Upon conclusion of the Closed Session, the Board reconvened in Open Session and announced the following actions taken:

- a. Will Bush was appointed Interim Executive Officer, effective September 1, 2005.
- b. Staff was authorized to contract for an executive search firm for the purpose of selecting a new Executive Officer, with the search to be conducted under the supervision of Rick Chivaro, Chief Counsel, Office of the State Controller.

Item 1. – Approval of Board Minutes

The minutes of the March 29, 2005, Franchise Tax Board meeting were corrected to reflect a vote of 2-1 on Proposals 1 and 2 of Amnesty clean-up legislation and, as corrected, were unanimously approved (3-0).

The Board heard from the following member of the public regarding this Agenda Item:

Teresa Casazza, California Taxpayers' Association

Item 2. – Legislative Matters

a. Bills for Position

The Board heard from the following members of the public regarding this Agenda item:

Lenny Goldberg, California Tax Reform Associates
Gina Rodriquez, Spidell Publishing, Inc.
Chris Micheli, California Strategies & Advocacy

Following discussion with respect to this Agenda item, during which Chair Westly expressed support for SB 58, the Board voted 2-0 (Mr. Campbell abstaining) to take the positions identified below with respect to the following bills:

AB 115 – Support
AB 241 – Neutral
AB 298 – Neutral
AB 777 – Neutral
SB 58 -- Neutral

b. Amnesty clean-up legislation

The Board received an update on the amnesty clean-up legislative proposals 1 and 2 from the meeting of March 29, 2005 (Eliminate Amnesty Penalty On Any Post-Amnesty Deficiencies and Clarification of “Due and Payable”).

The Board heard from the following members of the public regarding this Agenda Item:

Teresa Casazza, California Taxpayers' Association
Katherine Hatch, American Electronics Association
Steven Chin, Hewlett-Packard Company
Gina Rodriquez, Spidell Publishing

The Board voted unanimously (3-0) to direct staff to work with the taxpayer community and to come back with legislative and administrative options that deal with innocent taxpayers and unintended consequences.

Item 3. – Closing the Tax Gap

The Board received a staff report on the May 2005 Tax Gap symposium, along with staff recommendations for Board action.

The Board heard from the following members of the public regarding this Agenda Item:

Lenny Goldberg, California Tax Reform Associates
Teresa Casazza, California Taxpayers' Association

The Board voted unanimously (3-0) to approve the following tax gap closing measures:

- a. Improve FTB's acquisition and use of federal cash transaction reports
- b. Increase publicity and public awareness of illegal tax scams and schemes

The Board voted 2-0 (Mr. Campbell abstaining) to approve the following tax gap closing measure:

- c. Retain the services of Jack Blum, an expert in offshore tax shelters.

The Board also directed staff to meet with interested parties and bring back a report regarding the requirements for the use and distribution of writings pertaining to action items on Board meeting agendas.

Item 4. Ready Return

The Board received a staff report regarding the ReadyReturn pilot project.

The Board heard from the following members of the public regarding this Agenda Item:

Scott Baugh, Mayer, Brown, Rowe and Maw
Katherine Hahn, Corporate Affairs, Intuit, Inc.
Gina Rodriquez, Spidell Publishing
Lenny Goldberg, California Tax Reform Associates
Teresa Casazza, California Taxpayers' Association
Steven Chin, Hewlett-Packard Company
Prof. Joseph Bankman, Stanford Law School
Timur Taluy, FileYourTaxes.com

The Board voted unanimously (3-0) to proceed with full implementation of ReadyReturn as a permanent program.

Item 5. – CalFile

(Deputy Controller Marcy Jo Mandel assumed responsibility as chair for the remainder of the meeting.)

The Board received a report regarding the CalFile program.

The Board heard from the following members of the public regarding this Agenda Item:

Scott Baugh, Mayer, Brown, Rowe and Maw
Lenny Goldberg, California Tax Reform Associates
Teresa Casazza, California Taxpayers' Association
Katherine Hahn, Corporate Affairs, Intuit, Inc.

The Board voted unanimously (3-0) to continue the current CalFile program, providing e-file functionality for all returns meeting the criteria for the 540 2EZ, most returns meeting the criteria for the 540A, and a very limited number meeting the 540 criteria.

Item 6. – Regulation Matters

The Board received a staff report on the symposium for Draft Proposal Regulations 2441 and 25106.5-1 (Ordering of Dividend Payments) and heard from the following members of the public regarding this Agenda Item:

Barry Weissman, PricewaterhouseCoopers, LLP
Teresa Casazza, California Taxpayers' Association
Jeffrey Vesely, Pillsbury, Winthrop, LLP

The Board voted unanimously (3-0) to postpone this item to the next meeting.

Item 7. – Child Support

The Board received a staff report on the status of the California Child Support Automated System project. The report noted the departure of Project Director David Maxwell-Jolly to become Chief Deputy Director of the Department of Child Support Services.

Item 8. – Administrative Matters

a. Contracts over \$1 million

1. Enterprise Triplex Printing System
2. Aastra Intecom PBX maintenance contract

The Board voted unanimously (3-0) to approve these contracts.

b. The Board received a staff report regarding BCP concepts for 06/07.

Item 9. – Executive Officer's Time

Mr. Goldberg expressed his appreciation to the current Board and prior Boards for the opportunity to serve 25 years as Executive Officer.

Item 10. – Board Members' Time

The Board unanimously approved and signed resolutions commending prior Board Secretary Claudette Romo and appointing a new Board Liaison, Colleen Berwick.

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Ms. Mandel announced the remaining agenda for the Closed Session pursuant to Government Code section 11126.3.

The meeting was adjourned at 1:30 p.m.

Board Liaison

Date